



**LOWELL CHARTER TOWNSHIP**  
**Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended March 31, 2006

**LOWELL CHARTER TOWNSHIP**  
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For the year ended March 31, 2006

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## **FINANCIAL SECTION**

Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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CPAs AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

June 29, 2006

The Township Board  
Lowell Charter Township  
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lowell Charter Township (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lowell Charter Township as of March 31, 2006, and the respective changes in financial position and cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section and supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lowell Charter Township. Such information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungerford, Alden, Nichols & Carter, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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As management of the Lowell Charter Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

**Financial Highlights**

- The Township's net assets increased by \$486,756 (or 9 percent).
- Total expenses of the Township's programs were \$982,255.
- Total revenues, including all program and general revenues, were \$1,469,011.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$1,050,432, an increase of \$76,847 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$915,066, or 166 percent of total General Fund expenditures.
- The Township's Enterprise Funds had \$3,202,981 in net assets at year-end.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety and public works. The business-type activities of the Township are the Water and Sewer Enterprise Funds.

**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 16-19 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township maintains the Water and Sewer Enterprise Funds to account for its water supply system and sanitary sewer usage operation and maintenance. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary funds** provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

**Notes to basic financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 26-37 of this report.

**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Government –Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lowell Charter Township, assets exceeded liabilities by \$5,796,281 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$3,498,642 (60 percent), reflects its investment in capital assets (e.g. land, buildings, water and sewer system, and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2006.

**Lowell Charter Township's Net Assets**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>						
Current and other assets	\$ 1,082,256	\$ 985,026	\$ 2,053,996	\$ 1,613,793	\$ 3,136,252	\$ 2,598,819
Capital assets	1,542,868	1,562,100	1,955,774	2,048,311	3,498,642	3,610,411
<b>Total Assets</b>	<b>2,625,124</b>	<b>2,547,126</b>	<b>4,009,770</b>	<b>3,662,104</b>	<b>6,634,894</b>	<b>6,209,230</b>
<b>Liabilities</b>						
Current liabilities	31,824	11,441	191,789	210,856	223,613	222,297
Noncurrent liabilities	—	—	615,000	677,408	615,000	677,408
<b>Total Liabilities</b>	<b>31,824</b>	<b>11,441</b>	<b>806,789</b>	<b>888,264</b>	<b>838,613</b>	<b>899,705</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,542,868	1,562,100	1,245,774	1,290,774	2,788,642	2,852,874
Restricted	168,866	137,221	—	47,000	168,866	184,221
Unrestricted	881,566	836,364	1,957,207	1,436,066	2,838,773	2,272,430
<b>Total Net Assets</b>	<b>\$ 2,593,300</b>	<b>\$ 2,535,685</b>	<b>\$ 3,202,981</b>	<b>\$ 2,773,840</b>	<b>\$ 5,796,281</b>	<b>\$ 5,309,525</b>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2006:

**Lowell Charter Township's Changes in Net Assets**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 29,817	\$ 37,389	\$ 476,533	\$ 470,959	\$ 506,350	\$ 508,348
Capital grants and contributions	—	18,584	309,996	126,651	309,996	145,235
General revenue:						
Property taxes	133,165	118,574	—	—	133,165	118,574
State sources	377,677	360,167	—	—	377,677	360,167
Investment earnings	41,807	28,475	55,641	30,158	97,448	58,633
Other	44,375	36,533	—	—	44,375	36,533
<b>Total Revenues</b>	<b>626,841</b>	<b>599,722</b>	<b>842,170</b>	<b>627,768</b>	<b>1,469,011</b>	<b>1,227,490</b>
<b>Expenses</b>						
General government	306,363	261,099	—	—	306,363	261,099
Public safety	117,548	65,586	—	—	117,548	65,586
Public works	31,478	72,863	—	—	31,478	72,863
Recreation and cultural	70,977	54,735	—	—	70,977	54,735
Other township	42,860	57,979	—	—	42,860	57,979
Water operations	—	—	291,854	286,723	291,854	286,723
Sewer operations	—	—	121,175	142,834	121,175	142,834
<b>Total Expenses</b>	<b>569,226</b>	<b>512,262</b>	<b>413,029</b>	<b>429,557</b>	<b>982,255</b>	<b>941,819</b>
<b>Increase In Net Assets</b>	<b>57,615</b>	<b>87,460</b>	<b>429,141</b>	<b>198,211</b>	<b>486,756</b>	<b>285,671</b>
<b>Net Assets - beginning of year</b>	<b>2,535,685</b>	<b>2,448,225</b>	<b>2,773,840</b>	<b>2,575,629</b>	<b>5,309,525</b>	<b>5,023,854</b>
<b>Net Assets - end of year</b>	<b>\$2,593,300</b>	<b>\$2,535,685</b>	<b>\$3,202,981</b>	<b>\$2,773,840</b>	<b>\$5,796,281</b>	<b>\$5,309,525</b>

**Governmental activities** increased the Township's net assets by \$57,615. Key elements of this increase are as follows:

- Property taxes increased by \$14,591 (12 percent). This increase is a product of new construction in the Township and increased valuations on existing properties.
- State shared revenues increased by \$17,510.
- Interest earnings on investments increased by \$13,332.

**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Business activities** (water and sewer operations) increased the Township's net assets by \$429,141 due mainly to connection fees and capital contributions of \$310,000, interest earnings of \$25,500 and a decrease in operation and maintenance expenses of \$20,800.

**Financial Analysis of the Township's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,050,432, an increase of \$76,847 in comparison with the prior year. 84 percent of this total amount constitutes unreserved/undesignated fund balance, which is available for spending at the Township's discretion.

Lowell Charter Township's funds are described as follows:

Major Fund

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$625,502 and total expenditures of \$549,994. It ended the year with a fund balance of \$978,897, up from \$903,389 at March 31, 2005.

Nonmajor Fund

The *Cemetery Permanent Fund* collects cemetery receipts and interest earnings to be used for Township cemetery improvements. Revenues totaled \$1,339 and expenditures were zero for the fiscal year, increasing the fund balance to \$71,535 at March 31, 2006.

**Proprietary funds.** The Township's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The Water Enterprise Fund had total revenues of \$558,290 and total expenses of \$291,854, with net assets of \$1,977,389 at March 31, 2006. The Sewer Enterprise Fund had total revenues of \$283,880 and total expenses of \$121,175, with net assets of \$1,225,592 at March 31, 2006.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revised the annual operating budget to comply with Michigan Department of Treasury guidelines. The budget amendments were made to reflect changes in revenues and expenditures as they occurred during the year, including increased grant and other revenues and increases in recreation and other expenditure categories.

**LOWELL CHARTER TOWNSHIP**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Capital Asset and Debt Administration**

Capital Assets

At March 31, 2006, the Township had a \$4,790,316 investment in a broad range of capital assets, including land, land improvements, water and sewer system, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the Notes To Basic Financial Statements.)

Capital asset purchases totaled \$33,410 for the fiscal year with accumulated depreciation increasing \$145,179. The net book value of capital assets at March 31, 2006 is detailed as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 155,596	\$ 36,158	\$ 191,754
Land improvements	576,333	—	576,333
Buildings and improvements	719,418	—	719,418
Water and sewer system	—	1,919,616	1,919,616
Office furnishings and equipment	91,521	—	91,521
<b>Net Capital Assets</b>	<b>\$ 1,542,868</b>	<b>\$ 1,955,774</b>	<b>\$ 3,498,642</b>

Long-Term Debt

At year end the Township had \$710,000 in water and sewer revenue and special assessment bonds outstanding. Prior year debt balances were reduced by payments of \$85,000 during the current year. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.

**Factors Bearing on the Township's Future**

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2006-07 is balanced, with budgeted revenues and expenditures each totaling \$576,980. This estimate reflects conservative budgeting for property tax revenues, continuing reductions in state shared revenues and a small increase in total expenditures over 2005-06. The Township strives to maintain a high quality of taxpayer service, while trying to control/reduce costs within the Township.

**Contacting the Township's Financial Management**

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Regan, Township Clerk, Lowell Charter Township, 2910 Alden Nash SE, Lowell, MI, 49331.

## **BASIC FINANCIAL STATEMENTS**

**LOWELL CHARTER TOWNSHIP**  
**Statement of Net Assets**  
**March 31, 2006**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 83	\$ -	\$ 83
Cash equivalents, deposits and investments (Note B)	962,902	1,742,271	2,705,173
Receivables:			
Taxes	8,035	-	8,035
Accounts	-	120,948	120,948
Special assessments - current portion	-	50,000	50,000
Due from other funds (Note C)	51,888	-	51,888
Due from other governmental units	59,348	-	59,348
<b>Total Current Assets</b>	<b>1,082,256</b>	<b>1,913,219</b>	<b>2,995,475</b>
<b>Noncurrent Assets</b>			
Special assessments receivable - net of current portion	-	107,664	107,664
Unamortized bond issue costs	-	33,113	33,113
Capital assets, net of accumulated depreciation (Note D)	1,542,868	1,955,774	3,498,642
<b>Total Noncurrent Assets</b>	<b>1,542,868</b>	<b>2,096,551</b>	<b>3,639,419</b>
<b>Total Assets</b>	<b>2,625,124</b>	<b>4,009,770</b>	<b>6,634,894</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	31,824	38,767	70,591
Due to other funds (Note C)	-	51,888	51,888
Accrued interest payable	-	6,134	6,134
Current portion of noncurrent liabilities	-	95,000	95,000
<b>Total Current Liabilities</b>	<b>31,824</b>	<b>191,789</b>	<b>223,613</b>
<b>Noncurrent Liabilities (Note E)</b>			
Revenue bonds payable	-	435,000	435,000
Special assessment bonds payable	-	275,000	275,000
Less current portion of noncurrent liabilities	-	(95,000)	(95,000)
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>615,000</b>	<b>615,000</b>
<b>Total Liabilities</b>	<b>31,824</b>	<b>806,789</b>	<b>838,613</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,542,868	1,245,774	2,788,642
Restricted for:			
Cemetery	71,535	-	71,535
Gypsy Moth	37,331	-	37,331
Railroad acquisition project	26,500	-	26,500
Unrestricted	915,066	1,957,207	2,872,273
<b>Total Net Assets</b>	<b>\$ 2,593,300</b>	<b>\$ 3,202,981</b>	<b>\$ 5,796,281</b>

See accompanying notes to basic financial statements.



**LOWELL CHARTER TOWNSHIP**  
**Statement of Activities**  
**March 31, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Governmental activities:			
General government	\$ 306,363	\$ 17,987	\$ -
Public safety	117,548	11,830	-
Public works	31,478	-	-
Recreation and cultural	70,977	-	-
Other township	42,860	-	-
Total governmental activities	<u>\$ 569,226</u>	<u>\$ 29,817</u>	<u>\$ -</u>
Business-type activities:			
Water	\$ 291,854	\$ 333,207	\$ 187,221
Sewer	121,175	143,326	122,775
Total business-type activities	<u>\$ 413,029</u>	<u>\$ 476,533</u>	<u>\$ 309,996</u>

General revenues:  
Property taxes levied for:  
    General operations  
State revenue sharing  
Other  
Unrestricted investment earnings

Total general revenues

**Change in Net Assets**

**Net Assets - Beginning of Year**

**Net Assets - End of Year**

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (288,376)	\$ -	\$ (288,376)
(105,718)	-	(105,718)
(31,478)	-	(31,478)
(70,977)	-	(70,977)
(42,860)	-	(42,860)
(539,409)	-	(539,409)
-	228,574	228,574
-	144,926	144,926
-	373,500	373,500
133,165	-	133,165
377,677	-	377,677
44,375	-	44,375
41,807	55,641	97,448
597,024	55,641	652,665
57,615	429,141	486,756
2,535,685	2,773,840	5,309,525
<u>\$ 2,593,300</u>	<u>\$ 3,202,981</u>	<u>\$ 5,796,281</u>

**LOWELL CHARTER TOWNSHIP**  
**Balance Sheet**  
**Governmental Funds**  
**March 31, 2006**

	General	Other Governmental	Total
<b>Assets</b>			
Cash	\$ 83	\$ -	\$ 83
Cash equivalents, deposits and investments (Note B)	889,367	73,535	962,902
Taxes receivable	8,035	-	8,035
Due from other funds (Note C)	51,888	-	51,888
Due from other governmental units	59,348	-	59,348
<b>Total Assets</b>	<b>\$ 1,008,721</b>	<b>\$ 73,535</b>	<b>\$ 1,082,256</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 29,824	\$ 2,000	\$ 31,824
<b>Fund Balances</b>			
Unreserved:			
Designated, reported in:			
General fund	63,831	-	63,831
Cemetery fund	-	71,535	71,535
Undesignated	915,066	-	915,066
<b>Total Fund Balances</b>	<b>978,897</b>	<b>71,535</b>	<b>1,050,432</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,008,721</b>	<b>\$ 73,535</b>	<b>\$ 1,082,256</b>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**March 31, 2006**

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<b>Total governmental fund balances</b>	\$ 1,050,432
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$2,005,362 and accumulated depreciation is \$462,494	<u>1,542,868</u>
<b>Total net assets - governmental activities</b>	<u><u>\$ 2,593,300</u></u>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended March 31, 2006**

	General	Other Governmental	Total
<b>Revenues</b>			
Taxes	\$ 133,165	\$ -	\$ 133,165
Licenses and permits	11,830	-	11,830
State sources	377,677	-	377,677
Charges for services	16,837	1,150	17,987
Interest and rentals	41,618	189	41,807
Other	44,375	-	44,375
<b>Total Revenues</b>	<u>625,502</u>	<u>1,339</u>	<u>626,841</u>
<b>Expenditures</b>			
Current:			
General government	290,987	-	290,987
Public safety	117,548	-	117,548
Public works	31,478	-	31,478
Recreation and cultural	67,121	-	67,121
Other township	42,860	-	42,860
<b>Total Expenditures</b>	<u>549,994</u>	<u>-</u>	<u>549,994</u>
<b>Net Change in Fund Balances</b>	75,508	1,339	76,847
<b>Fund Balances, April 1</b>	<u>903,389</u>	<u>70,196</u>	<u>973,585</u>
<b>Fund Balances, March 31</b>	<u><u>\$ 978,897</u></u>	<u><u>\$ 71,535</u></u>	<u><u>\$ 1,050,432</u></u>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended March 31, 2006**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 76,847</b>
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of these assets is capitalized and the cost  
is allocated over their estimated useful lives as depreciation expense. This  
is the amount by which depreciation exceeded capital outlays in the current  
period.

	Capital outlays	\$ 33,410	
	Depreciation expense	(52,642)	(19,232)
		<hr/>	<hr/>
<b>Total change in net assets - governmental activities</b>		<b>\$</b>	<b><u><u>57,615</u></u></b>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended March 31, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 109,000	\$ 109,000	\$ 133,165	\$ 24,165
Licenses and permits	23,000	17,600	11,830	(5,770)
State sources	362,600	362,600	377,677	15,077
Charges for services	-	9,700	16,837	7,137
Interest and rentals	18,500	20,500	41,618	21,118
Other revenue	28,900	36,757	44,375	7,618
<b>Total Revenues</b>	<b>542,000</b>	<b>556,157</b>	<b>625,502</b>	<b>69,345</b>
<b>Expenditures</b>				
Current:				
General government	331,476	292,790	290,987	1,803
Public safety	108,000	118,000	117,548	452
Public works	48,300	40,675	31,478	9,197
Recreation and cultural	40,000	70,157	67,121	3,036
Other township	14,224	50,535	42,860	7,675
<b>Total Expenditures</b>	<b>542,000</b>	<b>572,157</b>	<b>549,994</b>	<b>22,163</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(16,000)</b>	<b>75,508</b>	<b>91,508</b>
<b>Fund Balances, April 1</b>	<b>903,389</b>	<b>903,389</b>	<b>903,389</b>	<b>-</b>
<b>Fund Balances, March 31</b>	<b>\$ 903,389</b>	<b>\$ 887,389</b>	<b>\$ 978,897</b>	<b>\$ 91,508</b>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Statement of Net Assets**  
**Proprietary Funds**  
**March 31, 2006**

	Water Enterprise	Sewer Enterprise	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash equivalents, deposits and investments (Note B)	\$ 1,018,299	\$ 723,972	\$ 1,742,271
Receivables:			
Accounts	83,166	37,782	120,948
Special assessments - current portion	25,000	25,000	50,000
<b>Total Current Assets</b>	<u>1,126,465</u>	<u>786,754</u>	<u>1,913,219</u>
<b>Noncurrent Assets</b>			
Special assessment receivable - net of current portion	74,374	33,290	107,664
Unamortized bond issue costs	28,011	5,102	33,113
Capital assets, net of accumulated depreciation (Note D)	1,453,817	501,957	1,955,774
<b>Total Noncurrent Assets</b>	<u>1,556,202</u>	<u>540,349</u>	<u>2,096,551</u>
<b>Total Assets</b>	<u>2,682,667</u>	<u>1,327,103</u>	<u>4,009,770</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	29,106	9,661	38,767
Due to other funds	51,888	-	51,888
Accrued interest payable	6,134	-	6,134
Current portion of noncurrent liabilities	78,300	16,700	95,000
<b>Total Current Liabilities</b>	<u>165,428</u>	<u>26,361</u>	<u>191,789</u>
<b>Noncurrent Liabilities (Note E)</b>			
Revenue bonds payable	435,000	-	435,000
Special assessment bonds payable	183,150	91,850	275,000
Less current portion	(78,300)	(16,700)	(95,000)
<b>Total Noncurrent Liabilities</b>	<u>539,850</u>	<u>75,150</u>	<u>615,000</u>
<b>Total Liabilities</b>	<u>705,278</u>	<u>101,511</u>	<u>806,789</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	835,667	410,107	1,245,774
Unrestricted	1,141,722	815,485	1,957,207
<b>Total Net Assets</b>	<u><u>\$ 1,977,389</u></u>	<u><u>\$ 1,225,592</u></u>	<u><u>\$ 3,202,981</u></u>

See accompanying notes to basic financial statements.



**LOWELL CHARTER TOWNSHIP**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended March 31, 2006**

	Water Enterprise	Sewer Enterprise	Total
<b>Operating Revenues</b>			
Charges for services:			
Water sales	\$ 307,802	\$ -	\$ 307,802
Sewage disposal services	-	142,184	142,184
Penalties	6,421	-	6,421
Hydrant rental, other	18,984	1,142	20,126
	<u>333,207</u>	<u>143,326</u>	<u>476,533</u>
<b>Total Operating Revenues</b>			
<b>Operating Expenses</b>			
Administration	26,824	8,426	35,250
Operations and maintenance	164,839	83,890	248,729
Depreciation	69,073	23,464	92,537
	<u>260,736</u>	<u>115,780</u>	<u>376,516</u>
<b>Total Operating Expenses</b>			
<b>Operating Income</b>	<u>72,471</u>	<u>27,546</u>	<u>100,017</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	37,862	17,779	55,641
Interest expense	(31,118)	(5,395)	(36,513)
	<u>6,744</u>	<u>12,384</u>	<u>19,128</u>
<b>Total Nonoperating Revenues (Expenses)</b>			
<b>Income Before Contributions and Transfers</b>	79,215	39,930	119,145
Connection charges and contributions	187,221	122,775	309,996
	<u>266,436</u>	<u>162,705</u>	<u>429,141</u>
<b>Change in Net Assets</b>			
<b>Net Assets, Beginning of Year</b>	1,710,953	1,062,887	2,773,840
<b>Net Assets, End of Year</b>	<u>\$ 1,977,389</u>	<u>\$ 1,225,592</u>	<u>\$ 3,202,981</u>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended March 31, 2006**

	Water Enterprise	Sewer Enterprise	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 334,292	\$ 142,994	\$ 477,286
Payments to suppliers for goods and services	(153,915)	(96,559)	(250,474)
Payments to employees for services	(26,824)	-	(26,824)
<b>Net Cash Provided By Operating Activities</b>	<u>153,553</u>	<u>46,435</u>	<u>199,988</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Connection charges and contributions	187,221	122,775	309,996
Collection of special assessments	64,204	30,603	94,807
Principal paid on bonds and loans	(88,270)	(15,850)	(104,120)
Interest paid on bonds	(31,736)	(5,395)	(37,131)
<b>Net Cash Provided By Capital and Related Financing Activities</b>	<u>131,419</u>	<u>132,133</u>	<u>263,552</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	(536,316)	(419,610)	(955,926)
Interest received	37,862	17,779	55,641
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>(498,454)</u>	<u>(401,831)</u>	<u>(900,285)</u>
<b>Net Decrease In Cash and Cash Equivalents</b>	<u>(213,482)</u>	<u>(223,263)</u>	<u>(436,745)</u>
<b>Cash and Cash Equivalents, beginning of year</b>	<u>695,465</u>	<u>527,625</u>	<u>1,223,090</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 481,983</u></u>	<u><u>\$ 304,362</u></u>	<u><u>\$ 786,345</u></u>
<b>Allocation of Cash Equivalents, Deposits and Investments</b>			
Cash equivalents	\$ 481,983	\$ 304,362	\$ 786,345
Certificates of deposit and investments	536,316	419,610	955,926
<b>Total Cash Equivalents, Deposits and Investments Per Statement of Net Assets</b>	<u><u>\$ 1,018,299</u></u>	<u><u>\$ 723,972</u></u>	<u><u>\$ 1,742,271</u></u>
<b>Reconciliation of Operating Income To Net Cash Provided By Operating Activities</b>			
Operating income	<u>\$ 72,471</u>	<u>\$ 27,546</u>	<u>\$ 100,017</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	69,073	23,464	92,537
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	1,095	(332)	763
Increase (decrease) in accounts payable	10,914	(4,243)	6,671
<b>Total adjustments</b>	<u>81,082</u>	<u>18,889</u>	<u>99,971</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 153,553</u></u>	<u><u>\$ 46,435</u></u>	<u><u>\$ 199,988</u></u>

See accompanying notes to basic financial statements.

**LOWELL CHARTER TOWNSHIP**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**March 31, 2006**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash equivalents, deposits and investments (Note B)	<u>\$ 38,283</u>
<b>Liabilities</b>	
Due to other funds	\$ 697
Due to other governmental units	11,451
Escrow deposits	<u>26,135</u>
<b>Total Liabilities</b>	<u>\$ 38,283</u>

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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**Note A – Summary of Significant Accounting Policies**

Lowell Charter Township (the “Township”) is incorporated as a charter township under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Township is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and four Trustees. The Township provides, or contributes to the providing of, the following services to its residents as provided by statute: public safety (fire), highways and streets, sewer and water, parks and recreation, public improvements, planning and zoning, general administrative and other services.

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the Township’s accounting policies are described below.

**1. Reporting Entity**

The accompanying financial statements present the Township of Lowell. The Township has no component units, entities for which the Township is considered to be financially accountable.

**2. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements** - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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**Fund Financial Statements** - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Township reports the following major governmental fund:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The Township reports the following major proprietary funds:

The *Sewer Enterprise Fund* accounts for the operations of the Township's sewer department that provides sewer services to residents of the Township on a user charge basis.

The *Water Enterprise Fund* accounts for the operations of the Township's water department that provides water services to residents of the Township on a user charge basis.

Additionally, the Township reports the following fund types:

The *Cemetery Permanent Fund* accounts for fees collected to be used for cemetery improvements.

The *Escrow Agency Fund* accounts for the collection of escrow deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Trust Account Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*Government-wide and fiduciary fund financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes levied for the subsequent fiscal year are presented as deferred revenue at fiscal year end.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges for services. Operating expenses for the enterprise fund include wages, benefits, supplies, utilities, charges for services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported a nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

#### **4. Budgets and Budgetary Accounting**

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budget is generated with input from the Township Supervisor, Clerk, Treasurer and the Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- Encumbrance accounting is not utilized.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for each individual fund.

**5. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**6. Capital Assets**

Capital assets, which include property, plant and equipment, vehicles and construction in process, are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of one year and whose costs exceed \$1,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Water and sewer distribution systems	30 years
Land improvements	20-40 years
Building and building improvements	40 years
Office furnishings	5-15 years
Other tools and equipment	20 years



**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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**7. Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township; summer taxes are collected for other entities within the Township. Real property taxes not collected are returned to Kent County for collection, which advances one hundred percent of the delinquent taxes to the Township subsequent to the close of the fiscal year. The taxes collected from December 1 to March 31, plus the advance from the County, are included in property tax revenues for the fiscal year. The collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**8. Long-Term Obligations**

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund types Statements of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**9. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

**10. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities.

**11. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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**12. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**13. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and errors and omissions claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Township has not purchased commercial insurance for coverage of health claims for employees. In lieu of this, employees receive a cash benefit.

**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school Township in Michigan.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Township in Michigan.

Balances at March 31, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Primary government	\$2,705,173
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Cash equivalents, deposits and investments of Fiduciary Funds:

Primary government:

Agency	<u>38,283</u>
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	<u><u>\$2,743,456</u></u>
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### **Cash Equivalents and Deposits**

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the Township during the year are detailed as follows:

1. Huntington National Bank
2. Fifth Third Bank
3. Independent Bank
4. Ionia County National Bank
5. Byron Bank
6. Flagstar Bank
7. United Bank of Michigan
8. HSBC Bank, USA

March 31, 2006 balances are detailed as follows:

	<b><u>Primary</u></b> <b><u>Government</u></b>
Cash equivalents	\$ 1,111,654
Deposits	<u>1,305,192</u>
	<u><u>\$ 2,416,846</u></u>

#### *Custodial credit risk*

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned to the Township. Protection of Township cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the Township's cash equivalents and deposits was \$2,416,846 and the bank balance was \$2,439,715. Of the bank balance \$612,000 was covered by federal depository insurance and \$1,827,715 was uninsured and uncollateralized.

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

**Investments**

Investments consist of surplus funds investment pools and U.S. Government Agency securities.

As of March 31, 2006 the Township had the following investments in their portfolio:

	<u><b>Fair Value</b></u> <u><b>Primary</b></u> <u><b>Government</b></u>
Investment Pool Accounts:	
Kent County	\$ 119,614
Putnam Investments	119,900
Edward Jones	21,060
U.S. Government Agency Securities:	
Federal National Mortgage Association (FNMA)	37,209
Government National Mortgage Association (GNMA)	<u>28,827</u>
	<u>\$ 326,610</u>

The Weighted Average Maturity (in years) for the U.S. Agency Securities was 22.50 at March 31, 2006.

*Custodial Credit Risk and Interest Rate Risk*

It is the policy of Lowell Charter Township to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to state and local statutes governing the investment of public funds.

*Foreign Currency Risk*

The Township is not authorized to invest in investments which have this type of risk.

**Note C – Due From (To) Other Funds**

Amounts due from (to) other funds at March 31, 2006 representing an interfund loan to be repaid in 2006-07 are detailed as follows:

	<u><b>Due From</b></u>	<u><b>Due To</b></u>
<b>Major Funds</b>		
General Fund:		
Enterprise Funds:		
Sewer Fund	\$ 51,888	\$ —
		—
Enterprise Funds:		
Sewer Fund	<u>—</u>	<u>51,888</u>
<b>Total</b>	<u><u>\$ 51,888</u></u>	<u><u>\$ 51,888</u></u>

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

**Note D – Capital Assets**

Capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2006</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 155,596	\$ -	\$ -	\$ 155,596
Capital assets, being depreciated:				
Land improvements	657,597	25,148	-	682,745
Buildings and improvements	953,197	-	-	953,197
Office furnishings and equipment	205,562	8,262	-	213,824
	<u>1,971,952</u>	<u>33,410</u>	<u>-</u>	<u>2,005,362</u>
Total capital assets				
	<u>1,971,952</u>	<u>33,410</u>	<u>-</u>	<u>2,005,362</u>
Less accumulated depreciation for:				
Land improvements	86,173	20,239		106,412
Buildings and improvements	208,203	25,576		233,779
Office furnishings and equipment	115,476	6,827	-	122,303
	<u>409,852</u>	<u>52,642</u>	<u>-</u>	<u>462,494</u>
Total accumulated depreciation				
	<u>409,852</u>	<u>52,642</u>	<u>-</u>	<u>462,494</u>
<b>Net Capital Assets -</b>				
<b>Governmental Activities</b>	<u>\$ 1,562,100</u>			<u>\$ 1,542,868</u>

Depreciation expense was charged to Township governmental activities as follows:

General government	\$ 23,638
Recreation and cultural	<u>29,004</u>
	<u>\$ 52,642</u>

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

	<u>Balances</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2006</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 36,158	\$ -	\$ -	\$ 36,158
Capital assets, being depreciated:				
Water and sewer distribution systems	2,748,796	-	-	2,748,796
Total capital assets	2,784,954	-	-	2,784,954
Less accumulated depreciation for:				
Water and sewer distribution systems	736,643	\$ 92,537	\$ -	829,180
<b>Net Capital Assets -     Business-Type Activities</b>	<u>\$ 2,048,311</u>			<u>\$ 1,955,774</u>

Depreciation expense was charged to business-type activities of the Township as follows:

Water	\$ 69,073
Sewer	23,464
	<u>\$ 92,537</u>

### **Note E –Long-Term Debt**

The following is a summary of long-term debt transactions for the year ended March 31, 2006:

	Debt Outstanding April 1, 2005	Debt Added	Debt Retired	Debt Outstanding March 31, 2006
<b>Business-type Activities</b>				
Bond issues:				
Revenue bonds:				
February 18, 2004	\$ 470,000	\$ -	\$ 35,000	\$ 435,000
Special assessment bonds:				
February 1, 2002	325,000	-	50,000	275,000
<b>Total Long-term Debt</b>	<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 710,000</u>

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

Long-term bonds at March 31, 2006 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>Business-type activities</b>				
Revenue bonds:				
\$470M 2004 MMBA Water System Bonds:				
Annual maturities of \$40M to \$50M	May 1, 2014	2.00 - 4.00	\$ 435,000	\$ 45,000
Special assessment bonds:				
\$449M 2002 Water and Sewer System Bonds:				
Annual maturities of \$45M to \$50M	March 1, 2012	4.00 - 4.50	<u>275,000</u>	<u>50,000</u>
<b>Total Business-type Activities</b>			<u><u>\$ 710,000</u></u>	<u><u>\$ 95,000</u></u>

The annual requirements to pay principal and interest on long-term debt outstanding at March 31, 2006 are as follows:

<b>Year Ended March 31</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 95,000	\$ 27,172	\$ 122,172
2008	85,000	24,273	109,273
2009	90,000	19,415	109,415
2010	90,000	16,265	106,265
2011	95,000	12,842	107,842
2012	95,000	9,175	104,175
2013	50,000	5,338	55,338
2014	55,000	3,300	58,300
2015	<u>55,000</u>	<u>1,100</u>	<u>56,100</u>
	<u><u>\$ 710,000</u></u>	<u><u>\$ 118,880</u></u>	<u><u>\$ 828,880</u></u>

**LOWELL CHARTER TOWNSHIP**  
**Notes to Basic Financial Statements**  
**March 31, 2006**

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**Note F – Pension Plan/Defined Contribution**

The Township provides retirement benefits to its elected and appointed officials and employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after three months of employment, as long as a minimum of 16 hours a week is worked. The plan is established by Internal Revenue Service Code Section 414(c)(2). Participants and the Township are required to contribute 5 percent and 10 percent, respectively, of each participant's gross wages. In addition, the Township may make discretionary contributions. Discretionary contributions were not made in the current year. The contributions and investment interest allocated to the employee's account are fully vested immediately.

The Township's total payroll during the current year was \$200,680. The current year employer contribution was \$14,918 and employee contributions were \$19,600.

**Note G – Contingencies/Litigation**

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.



## **SUPPLEMENTARY INFORMATION**

## **AGENCY FUNDS**

**LOWELL CHARTER TOWNSHIP**  
**All Agency Funds**  
**Combining Schedule of Changes in Assets and Liabilities**  
**For the year ended March 31, 2006**

	Balances April 1, 2005	Additions	Deductions	Balances March 31, 2006
<b>Escrow Fund</b>				
<b>Assets</b>				
Cash, deposits and investments	\$ -	\$ 26,832	\$ -	\$ 26,832
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 697	\$ -	\$ 697
Escrow deposits	-	26,135	-	26,135
<b>Total Liabilities</b>	\$ -	\$ 26,832	\$ -	\$ 26,832
<b>Trust Account Fund</b>				
<b>Assets</b>				
Cash, deposits and investments	\$ 10,923	\$ 58,414	\$ 57,886	\$ 11,451
<b>Liabilities</b>				
Accounts payable	\$ -	220	220	\$ -
Due to other funds	-	3,835	3,835	-
Due to other governmental units	10,923	54,359	53,831	11,451
<b>Total Liabilities</b>	\$ 10,923	\$ 58,414	\$ 57,886	\$ 11,451
<b>Tax Account Agency Fund</b>				
<b>Assets</b>				
Cash, deposits and investments	\$ -	\$ 8,817,716	\$ 8,817,716	\$ -
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 16,112	\$ 16,112	\$ -
Due to other funds	-	165,046	165,046	-
Due to other governmental units	-	4,228,547	4,228,547	-
<b>Total Liabilities</b>	\$ -	\$ 4,409,705	\$ 4,409,705	\$ -
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash, deposits and investments	\$ 10,923	\$ 8,902,962	\$ 8,875,602	\$ 38,283
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 16,332	\$ 16,332	\$ -
Due to other funds	-	169,578	168,881	697
Due to other governmental units	10,923	4,282,906	4,282,378	11,451
Escrow deposits	-	26,135	-	26,135
<b>Total Liabilities</b>	\$ 10,923	\$ 4,494,951	\$ 4,467,591	\$ 38,283

**LOWELL CHARTER TOWNSHIP**  
**Summary of 2005 Taxes Levied and Collected**  
**For the year ended March 31, 2006**

<b>Ad Valorem Taxes</b>	<b>Taxable Valuation</b>	<b>Rate (Mills)</b>	<b>Taxes Levied</b>	<b>Returned Delinquent</b>	<b>Current Collections</b>
<b>Kent County</b>					
Operating	\$151,603,518	5.3140	\$ 805,599	\$ 47,295	\$ 758,304
<b>Kent District Library</b>	151,603,518	0.8800	133,401	8,610	124,791
<b>State Education Tax</b>					
Caledonia Community Schools	899,455	6.0000	5,397	-	5,397
Lowell Area Schools	150,704,063	6.0000	904,217	38,940	865,277
			909,614	38,940	870,674
<b>School Districts</b>					
Kent Intermediate School District	151,603,518	4.6453	704,233	30,148	674,085
Grand Rapids Community College	151,603,518	1.7865	270,829	11,594	259,235
Caledonia Community Schools:					
Other	899,455	7.0000	6,296	282	6,014
Operating	161,214	18.0000	2,902	-	2,902
Lowell Area Schools:					
Other	150,704,063	7.0000	1,054,911	56,679	998,232
Operating	35,132,509	16.9751	596,373	62,671	533,702
<b>Total School Districts</b>			2,635,544	161,374	2,474,170
<b>Lowell Charter Township</b>	151,603,518				
Operating		0.7888	119,574	7,717	111,857
Street lighting assessments			6,716	529	6,187
Sewer and water assessments			41,257	7,943	33,314
Delinquent sewer and water			11,268	2,659	8,609
<b>Total Township</b>			178,815	18,848	159,967
<b>Total Ad Valorem Taxes</b>			<u>\$ 4,662,973</u>	<u>\$ 275,067</u>	<u>\$ 4,387,906</u>

Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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C P A s   A N D   C O N S U L T A N T S

June 29, 2006

The Township Board  
Lowell Charter Township  
Kent County, Michigan

The following comments pertain to our audit of the financial records of Lowell Charter Township as of and for the year ended March 31, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Lowell Charter Township.

### **Auditors Responsibility Under Generally Accepted Auditing Standards**

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

### **Significant Accounting Policies**

The elected officials and management of Lowell Charter Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lowell Charter Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report.

### **Difficulties Encountered In Performing The Audit**

We encountered no significant difficulties in performing our audit of the financial records of Lowell Charter Township. We found that the internal control structure and accounting system was adequate and operating in the manner intended. We were required to make several non-material adjusting and reclassification journal entries to bring the balances on the Township's computer accounting system to agreement with prior year audited figures, however.

### **Significant Audit Adjustments**

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

#### **General Fund**

1. \$9,404 to accrue property taxes receivable due from Kent County at March 31, 2006.
2. \$213,051 to classify General Fund investments at year-end to the correct accounts on the Township's computer accounting system.
3. \$37,331 to adjust designated fund balances to actual amounts at March 31, 2006.

#### Water Enterprise Fund

1. \$47,960 to classify Water Fund investments at year-end to the correct accounts on the Township's computer accounting system.
2. \$69,073 to record depreciation expense on Water System assets for the fiscal year.

#### Sewer Enterprise Fund

2. \$71,945 to classify Sewer Fund investments at year-end to the correct accounts on the Township's computer accounting system.
1. \$23,464 to record depreciation expense on Sewer System assets for the fiscal year.

#### Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Lowell Charter Township.

#### Suggestions and Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

\* \* \* \* \*

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Lowell Charter Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Lowell Charter Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

*Hungerford, Aldrin, Nichols & Austin, P.C.*

Certified Public Accountants